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3
4 MEETING
5 OF THE
6 GOVERNING BOARD OF
7 CHICAGO DEVELOPMENT FUND

8 City Hall - Room 1000
9 121 North LaSalle Street
10 Chicago, Illinois

11 November 24, 2014
12 1:05 p.m.

13 Ms. Alexandra Holt
14 Ms. Stephanie Neely
15 Ms. Lois Scott
16 Alderman Thomas Tunney

17 Mr. Kant Desai
18 Ms. Aarti Kotak
19 Ms. Tracy Sanchez

20 Mr. Mitchell Holzrichter
21 Mr. Jeffrey Edwards

22 Mr. Tony Smith
23 Mr. James Simmons

24 Ms. Angela Hurlock

Reported by: Nick D. Bowen
CSR No. 084-001661

1 MS. HOLT: Welcome, everybody.

2 Maybe for the purposes of the court
3 reporter, the board and other members could go
4 around and introduce themselves.

5 I'm Alex Holt.

6 MS. NEELY: I am Chicago City Treasurer
7 Stephanie Neely.

8 ALDERMAN TUNNEY: Alderman Tom Tunney, 44th
9 Ward.

10 MS. SCOTT: Lois Scott.

11 MS. HURLOCK: And visiting, Angela Hurlock.
12 I'm on the CDF Advisory Board.

13 MS. NEELY: Welcome.

14 MS. HOLT: Okay. All right. So with that,
15 a couple of items to go over today. Hopefully it
16 won't be too long a meeting, but we'll talk to Tony
17 for that.

18 But before we go there, we need
19 approval of the minutes for September 16th.
20 Everybody should have gotten them in advance.
21 So --

22 MS. NEELY: Motion.

23 MS. SCOTT: Second.

24 MS. NEELY: Sorry. I didn't mean to cut you

1 off.

2 MS. HOLT: No. You are way ahead of me.

3 All right. Everybody in approval?

4 (Chorus of ayes.)

5 All right. The ayes have it.

6 All right. Then I think at this

7 stage we will move on to Tony and the status of

8 previously approved projects. And you could walk

9 us through that if you wouldn't mind, please.

10 MR. SMITH: Thank you.

11 Good afternoon, everybody.

12 All right. So we'll start with

13 our traditional chronological overview of the

14 transactions that have been completed to date.

15 I'll note the one change since the
16 last meeting is the successful closing and funding
17 of SCR Medical Transportation.

18 MS. NEELY: Congratulations.

19 MS. HOLT: That's great.

20 MR. SMITH: Thank you.

21 So that's the last of the prefunded
22 allocations from last year.

23 MS. NEELY: So where is it located again?

24 Remind me.

1 MR. SMITH: It's 88th and Greenwood. It's a
2 couple contiguous buildings down there.

3 MS. NEELY: Good.

4 MR. SMITH: Yeah. We actually toured the
5 facility a couple days ago. So they're -- they've
6 completed the call center portion, which is a major
7 upgrade in terms of their capacity and their
8 technological systems to serve as paratransit and
9 medical transportation rides not just for SCR, but
10 also for farther flung suburban counties where they
11 service third-party provider calls. And they're
12 also now aggressively trying to expand into other
13 regions outside of Chicago as well. So definitely
14 in support of their growth.

15 And then the next phase is
16 renovation of their existing headquarters building,
17 which needs renovation quite badly. It's very
18 outdated and crammed in terms of the employees.
19 They're pulling some of the training functions
20 inhouse that used to be in trailers out in the --
21 on the grounds of the facility. So they have a
22 capital improvement program.

23 And in terms of the map of where the
24 transactions have happened, here's SCR down here

1 (indicating) at 88th and Greenwood. That's the one
2 addition since the last meeting.

3 And as far as general project status
4 updates, the projects that are under construction,
5 ACE Solar is nearing completion.

6 Breakthrough Urban Ministries,
7 likewise -- actually, it's a two-building project.
8 The Fresh Market portion, which was the smaller
9 rehab-driven component, actually had a grand
10 opening on October 31st. That is a grocery store
11 style food pantry for homeless and low-income
12 families in the East Garfield Park neighborhood.

13 They're going to have a much larger
14 event on January 17th for the Family Plex, which is
15 a new construction multiservice facility for mainly
16 low-income families; so childcare, athletics, café,
17 event space, training and other academic enrichment
18 programming. The Mayor, I think, is tentatively
19 slated for that January 17th opening. I believe
20 all of you have been invited, but if you have not,
21 please let us know. We're going to check back in
22 with Breakthrough and make sure that they have done
23 so.

24 And then Method is slated for

1 April 28th.

2 And then METROsquash is tentatively
3 scheduled for May 6th.

4 So a number of events coming up.

5 I'll also note the tour that
6 happened back on November 10th, and several of you
7 were able to participate, and we thank you for
8 that. Like I say, anyone who wants to share any
9 further thoughts on the tour while it's still
10 fresh.

11 MS. SCOTT: Fantastic. Really helpful to
12 see.

13 ALDERMAN TUNNEY: Any orthogenic -- I mean,
14 I didn't know much about it, but, I mean, it's just
15 amazing work they're doing down there in the Hyde
16 Park area.

17 MS. NEELY: There's a new café on Eberhart, I
18 think, and 61st, which is sort of a think tank
19 also. So that whole sort of little area is really
20 starting to turn around.

21 MS. SCOTT: That's what was interesting,
22 to actually watch what they're doing in the
23 neighborhood beyond just their own footprint.
24 It was interesting.

1 MR. SMITH: We'll make that at least an
2 annual fixture.

3 MS. SCOTT: It was also nice to know more
4 members of the Advisory Board as well.

5 MR. SMITH: And that is it as far as general
6 status updates.

7 MS. HOLT: Okay. Does anybody else have any
8 other questions about that?

9 ALDERMAN TUNNEY: Just the Method, you
10 know, is amazing that it was the first plant,
11 manufacturing plant in 35 years. Is that right?

12 MS. NEELY: So is that their wind turbine?

13 MR. SMITH: Yes.

14 MS. NEELY: You can see it from the
15 expressway.

16 ALDERMAN TUNNEY: Garden on top.

17 MR. SMITH: Extensive garden.

18 ALDERMAN TUNNEY: Part of the plan.

19 MS. HOLT: All right. Tony, do you want to
20 talk about the 2013 allocation award?

21 MR. SMITH: Sure.

22 MS. NEELY: Oh, we got something?

23 MR. SMITH: We hope so.

24 So status update on the general

1 deployment of the most recent award as well as the
2 broader New Markets environment at this time.

3 So just reviewing progress and next
4 steps, Method was 13 million of the new allocation,
5 closed in September 2014.

6 We have today on the agenda a
7 consideration of 10-1/2 million for the Englewood
8 Square transaction.

9 We are working to schedule another
10 board cycle in mid January, at which time it's
11 likely that CDF will be seeking authorization to
12 prefund some of the remaining allocation to
13 basically get far enough into deployment to be
14 well positioned for next round.

15 So that deployment deadline would
16 be January 30th, by which CDEs will be reviewed,
17 number one, for eligibility for another award.
18 We've already cleared that minimal hurdle, which is
19 30 percent of the most recent allocation needs to
20 be closed. But then number two, more importantly,
21 just need for allocation.

22 So as part of the Englewood Square
23 transaction, there's a request for prefunding
24 approval already, and then hopefully there'll be

1 more requests for prefunding in January to stay on
2 pace with deployment.

3 As far as the general New Markets
4 competitive environment, the CDF's most recent
5 application is September 30th, 2014. I believe
6 that the outside community reviewers the Treasury
7 retains to score the applications are in the midst
8 of their process right now.

9 We're in an in-between year where
10 there's no existing Congressional authorization for
11 New Markets Tax Credits among many other provisions
12 of the tax code. So it's bundled into the tax
13 extenders bill, which may actually get considered
14 yet this calendar year after Thanksgiving. There's
15 a lot of pressure on the legislators to kind of
16 take care of basic housekeeping before the new
17 year. The IRS Commissioner, in particular, has
18 said that there's going to be just chaos,
19 tremendous amount of amended returns. So we don't
20 have certainty about the tax code for the next year
21 quickly.

22 So given that, plus the New Markets
23 program's relatively strong bipartisan support, the
24 New Markets reauthorization community is feeling

1 pretty good, somewhat surprisingly you might think
2 despite the recent election results.

3 MS. HOLT: All right. Any questions about
4 that?

5 MS. NEELY: When will they announce, you
6 think?

7 MR. SMITH: You know, the Treasury officials
8 that run the program have said they don't know, but
9 they -- that we should just act as if it's the same
10 date as last year -- or this year. So June 5th was
11 the announcement date.

12 MS. KOTAK: And we just had a pretty good
13 heads up from registry office. We check with them
14 pretty regularly. We've got their ear to the
15 ground on that.

16 MS. HOLT: And what do you think the chances
17 are?

18 MR. SMITH: Well, we think it was a very
19 strong application. I mean, on average, it's about
20 a 30 percent chance, but strong applicants tend to
21 get awards most of the time. So certainly better
22 than 50/50. I'm hoping 80 percent.

23 MS. HOLT: Okay. If no one has any other
24 questions, then, Tony, if you could talk about the

1 Illinois New Market Tax Credits. And we've also
2 got some resolutions for some authorization here
3 once we're done with this discussion.

4 MR. SMITH: Thank you.

5 So the state of Illinois program,
6 we've had a little bit of discussion about that
7 earlier this year, but no transactions ended up
8 using the Illinois state credits so far.

9 This is a piggyback program that
10 the state created back in 2008. It's likewise a
11 39 percent credit against state income taxes as
12 opposed to federal. The policy intent was to, I
13 think, drive more federal New Markets financing
14 activity in the state of Illinois by sweetening the
15 economics of transactions that would otherwise just
16 be federal and/or to incentivize CDEs that have
17 options to focus more of their federal dollars in
18 Illinois.

19 It's designed a little bit
20 differently from the federal program in that you
21 can fund owner-occupied projects and operating
22 businesses. You can't fund multi-tenant real
23 estate projects. So a little bit narrower
24 criteria, but otherwise a complete mirror --

1 ALDERMAN TUNNEY: Say it again.

2 MR. SMITH: Sure.

3 You can do owner-occupied real
4 estate. You can do operating businesses where
5 you're financing non real estate activity. But you
6 cannot finance multi-tenant real estate where the
7 tenants are unaffiliated with the owner. So
8 basically a shopping center project like --

9 MS. NEELY: Wal-Mart, shopping mall.

10 MR. SMITH: Yeah, would not be eligible.

11 MS. SCOTT: But Method would.

12 MR. SMITH: But Method would.

13 MS. SCOTT: But why -- did they apply?

14 MR. SMITH: Method actually used state tax
15 credits. They just didn't flow through CDF. There
16 were other allocatees that brought their allocation
17 to the table.

18 ALDERMAN TUNNEY: I think it was more the
19 working capital part of it.

20 MR. SMITH: Yeah, you can use it for that
21 too.

22 The other kind of noteworthy
23 difference is that the application process is
24 not -- first of all, the application is one page

1 as opposed to about 80 pages. It's not scored
2 based on kind of the narrative and business
3 strategy of the CDE. It's scored based on are you
4 eligible and did you apply at the earliest possible
5 moment when you could have. So first come, first
6 serve.

7 When you receive an award, you
8 need to fund the qualified equity investment within
9 30 days of receipt. So most applicants do not have
10 a specific transaction in mind for your term sheet
11 at the time they apply. So they apply for the
12 credits, then prefund with an investor, and then go
13 deploy the capital to end users type of format.
14 It's a little bit different rhythm than the federal
15 program.

16 So CDF has used this once in the
17 past. It was for the Greater West Town Job
18 Training Center back in '09. That was the last
19 time that the Illinois credit was actually
20 available. And based on the initial authorizing
21 legislation, there's now room under the tax
22 reduction calculations in the legislation that the
23 state likely has authority to do a new round of
24 125 million in probably January of 2015.

1 So the two resolutions that are
2 proposed here are, number one, authorization to
3 apply if and when the state makes new rounds of
4 credits available and then, number two,
5 authorization to prefund that allocation with one
6 or more investors in order to meet the state
7 deadline, which is 30 days after receipt of award.

8 So the actual projects that would
9 be funded with that prefunded qualified equity
10 investment would then come back through the board
11 for consideration as an investment opportunity just
12 like a normal transaction.

13 MS. NEELY: I make a motion to apply.

14 MS. HOLT: Did you have any questions, Lois,
15 before we ...

16 MS. SCOTT: I have many questions, but, no,
17 we could vote.

18 MS. HOLT: Okay. We have a motion.

19 Do we have a second?

20 MS. SCOTT: Second.

21 MS. HOLT: Can I hear all those in favor,
22 please?

23 (Chorus of ayes.)

24 Opposed.

1 (No response.)

2 All right. The motion has it.

3 We'll need a second motion, though,
4 as well to prefund the allocation. So if somebody
5 would make a motion.

6 MS. SCOTT: Motion.

7 ALDERMAN TUNNEY: Second.

8 MS. HOLT: Okay. All those in favor.

9 (Chorus of ayes.)

10 Opposed.

11 (No response.)

12 MS. SCOTT: I have a question. Which
13 projects are you thinking about using it for?

14 MR. SMITH: Okay.

15 MS. SCOTT: Probably the next page.

16 MR. SMITH: Sure. Well, there actually
17 aren't any that are formally proposed to be used
18 for the credits at this point, the problem being
19 that we don't even know if the state's going to
20 reopen the program. And with the new gubernatorial
21 climate, they may just decide to stop the program,
22 they might review everything.

23 But there are a couple owner-
24 occupied industrial projects that are coming up as

1 well as a community facility project that all seem
2 to have significant financing gaps, and they would
3 all be owner occupied. So one or more of those.

4 The other wild card is that our
5 understanding is they will probably just divvy up
6 the available allocation among the applicants that
7 apply on the same day. So we don't know if it's
8 going to be 25 million, 10 million, 5 million. It
9 might be very modest. So it may not be enough to
10 really drive a transaction.

11 MS. SCOTT: And who manages it for the state?
12 Is it DCEM?

13 MR. SMITH: It is, yes.

14 MS. HOLT: All right. Anything else?

15 ALDERMAN TUNNEY: When it says "first come,
16 first serve," it sounds like if we don't have any
17 projects -- January is right around the corner.
18 How do we not get in the first -- I mean, do we --
19 have we targeted any --

20 MR. SMITH: So the state's process to apply,
21 that's the portion that's first come, first serve.

22 MS. KOTAK: The application is first come,
23 first serve. Your one-pager, you've got to be in
24 line early.

1 MS. SCOTT: So us submitting our one-pager
2 would qualify for that?

3 MR. SMITH: Yes.

4 MS. HOLT: So we don't have to have projects
5 identified?

6 MR. SMITH: No. You don't have to specify
7 what you're going to use the credits for. In fact,
8 most applicants for the state programming don't
9 know what they're going to use it for at the time
10 they apply. And so there are plenty of examples of
11 folks getting big chunks, you know, 40, 50 million
12 of allocation, prefunding it, and then finding
13 deals. CDF has probably a bit more mature pipeline
14 than that.

15 MS. KOTAK: And that first come, first
16 serve is the reason to get before you for the
17 authorization for the application, because,
18 otherwise, if we waited in January, we'd be
19 too far back in line.

20 MS. SANCHEZ: So we might not meet a very
21 narrow window. The last time they opened it for
22 a day.

23 MR. SMITH: It was like a day, yes.

24 MS. SANCHEZ: Literally like notified people

1 it was only for one day, and then they closed it.
2 So -- which is why we need the authority ahead of
3 time.

4 MS. SCOTT: And it's our job to fight for
5 this community, so let's do it.

6 MS. HOLT: All right. Anybody have anything
7 else on this one?

8 (No response.)

9 All right. If we could move on to
10 proposed transactions.

11 MR. SMITH: All right. So Englewood Square
12 is on the docket for proposed investment approval
13 today.

14 This is a very high-profile project
15 on the northwest corner of 63rd and Halsted in the
16 Englewood community. It's part of the broader
17 Halsted Parkways development on a portion of a
18 13-acre site owned by the City of Chicago that's
19 currently being prepared with City TIF dollars.

20 The developer is DL3 Realty, LP,
21 Leon Walker, who's very active in various projects
22 around the South Side, mainly in the commercial
23 retail space.

24 Projected closing timeframe is the

1 second quarter of 2015. The critical path is
2 likely to be site development that's happening
3 right now under contract with the City. The City,
4 after completion of that site work, would then
5 convey the land to the DL3 affiliated project
6 entity.

7 MS. KOTAK: Just the 5.5 acres, not the 13.

8 MR. SMITH: That's right. Sorry about that.

9 So, yeah, here for context is 63rd
10 and Halsted (indicating).

11 On the east side of Halsted is
12 Kennedy-King College, the newer campus, including
13 Washburne Culinary Institute. And then on the
14 northwest corner is the Halsted Parkways site.
15 So this is the 13 acres I mentioned. The Halsted
16 Green line station is just south of the intersection.

17 MS. NEELY: So this is the northwest corner,
18 is that what you're trying to say?

19 MR. SMITH: Right.

20 And then within that 13 acres,
21 as Aarti correctly pointed out, is a 5.5 acre
22 rectangle. That would be the actual Englewood
23 Square portion of it conveyed for this project.

24 MS. NEELY: That includes parking?

1 MR. SMITH: Yes. Yes.

2 And then the remainder will be
3 available for future phases of development that
4 may or may not involve this developer, I would
5 imagine.

6 MS. NEELY: So back in the '60s, this was a
7 huge retail area, and there was a whole boulevard,
8 there was a bank called Drexel Bank, and it was
9 just such an amazing place to go to. And so to see
10 this trying to be revitalized is awesome.

11 MS. KOTAK: Yeah. It was the second busiest
12 after downtown.

13 MS. NEELY: Yeah. It was just amazing. I
14 mean, my father banked there, so I'd go there all
15 the time and go shopping.

16 MR. SMITH: The layout within that 5 acres
17 is -- Whole Foods is the anchor, that being an
18 18,000 square foot store on the northern portion
19 of the site.

20 Inline retail space would just be
21 small tenant space, probably a couple thousand
22 square feet per tenant on average, although it
23 could be divvied up to include larger users as
24 well. It's 21,000 square feet total.

1 And then fronting on Halsted two out
2 lot parcels which would be, again, retailers that
3 would compliment the rest of the mix.

4 MS. NEELY: So this Whole Foods is the model
5 Whole Foods that's in Detroit?

6 MR. SMITH: Correct.

7 MS. KOTAK: There's another one coming into
8 Orland.

9 ALDERMAN TUNNEY: So the size is smaller, so
10 just like an urban store -- I mean, like Target is
11 now doing kind of an urban store concept. The ones
12 that we have are --

13 MS. KOTAK: And the Commissioner and I
14 visited -- when this was all going on visited the
15 Whole Foods in Detroit, and it looks and feels
16 like a Whole Foods.

17 MS. NEELY: Is it priced the same?

18 MS. KOTAK: There are some distinctions in
19 price, but the price point is not too far off of
20 what it is in a large-scale Whole Foods. There's
21 a greater variety of the 365 line. There's some
22 distinction on some of the produce. But the
23 majority of it, I think, was priced sort of as it
24 is in a large scale.

1 MS. NEELY: Will they serve alcohol? Will
2 they sell and serve alcohol?

3 MS. KOTAK: Yes. My understanding is that
4 they will.

5 MS. NEELY: I don't know. That's why I'm
6 asking. A lot of people tried to get rid of liquor
7 stores, and they're putting one in, so ...

8 MS. KOTAK: We're putting in a grocery store
9 that has liquor.

10 MS. NEELY: Well, I mean, but Whole Foods
11 typically has a pretty large liquor section.

12 MS. KOTAK: Yeah. I'm not sure if they've
13 made the determination on sort of what their
14 selection is going to be globally and including
15 liquor, but --

16 MS. NEELY: Did the one in Detroit have a
17 large liquor department?

18 MS. KOTAK: It's not one of the aisles that
19 the Commissioner and I really went down. But I
20 don't know. Not so much that it was obvious. But
21 I couldn't tell you. I couldn't tell you.

22 MS. NEELY: No, it's -- you know, I don't
23 know if it's good or bad. I just think it's
24 something we need to be cognizant of.

1 MS. KOTAK: Sure.

2 MS. NEELY: We're trying to close liquor
3 stores and all the things that -- problems that
4 they bring. That's all.

5 MS. KOTAK: I understand.

6 MR. SMITH: For what it's worth, that will
7 definitely be analyzed as part of the New Markets
8 transaction. There's a prohibition on financing
9 liquor stores. The way grocery stores get done is
10 there's a covenant that the alcohol sales won't be
11 more than a --

12 ALDERMAN TUNNEY: It's immaterial?

13 MR. SMITH: It's not immaterial. But it's
14 certainly not a driving force within their sales
15 projections. Different attorneys have different
16 thresholds. That may well become known actually
17 what they're projecting for the closing process.

18 As far as the healthy foods impact,
19 so this is a community very much in need of healthy
20 food options. Within a one-mile radius, about
21 86 percent of the population lives within a USDA
22 designated food desert, low-income, low-access
23 area. There's a significant food insecurity
24 problem in Englewood.

1 There's also a significant diversion
2 of grocery dollars into convenience stores. So
3 from ESRI business panel data, we've been able to
4 see that 84 percent of grocery sales within this
5 one-mile radius are happening at convenience store
6 locations. National research suggests that the
7 prices are as much as 50 percent higher at these
8 stores for the same grocery items as they would be
9 in a grocery store.

10 And in terms of the sections of the
11 store that will be included as compared to a larger
12 Whole Foods, it'll have everything; it will have
13 produce, cheese, meat, all the sections that you
14 would typically see in a standard Whole Foods.

15 Hopefully there's also -- started a
16 process of outreach to community organizations to
17 support healthy foods access in the neighborhood.
18 They've given \$100,000, for example, to Growing
19 Home, the urban agricultural and job training
20 organization that's based in Englewood, that
21 allowed Growing Home to build a new hoop house that
22 extended the growing season to ten months and also
23 purchased a cooler that helps them store their
24 products as far as their distribution chain.

1 In terms of the job creation, so the
2 center itself is anticipated to support a total of
3 150 permanent jobs. No other retail tenants have
4 been announced yet, so --

5 MS. NEELY: Are they hiring within the
6 community?

7 MR. SMITH: Whole Foods is definitely looking
8 to do that. Englewood Square CDC has expressed a
9 desire to get involved in publicizing the job
10 opportunities and being involved in training.
11 We're not aware of any formal arrangements.

12 MS. NEELY: Because Method had a formal
13 arrangement.

14 MR. SMITH: Right.

15 MS. NEELY: So is this something that we
16 could have a formal arrangement?

17 MS. SCOTT: Good results too.

18 MS. NEELY: Yeah, really good results.

19 So it seems to me in a neighborhood
20 like this, you know, unemployment twice what the
21 state level is, that this would be a good thing.
22 They should have a formal arrangement.

23 MS. KOTAK: Their formal arrangement was
24 with Alderman Beale through a community benefits

1 agreement.

2 MS. NEELY: No. I understand.

3 MS. KOTAK: We don't typically do that either
4 on the TIF side. And there's a benefits agreement
5 on the New Markets side. But they are in
6 conversations with Alderman Thompson and with
7 Teamwork Englewood as well. They were confident
8 they'll have that. We're happy to explore -- we're
9 happy to explore that.

10 MS. NEELY: I think that's important.

11 MS. KOTAK: But that has been part of their
12 commitment all along. The goal is to transform.

13 MS. NEELY: These are real wages.

14 MR. SMITH: Hopefully they -- the other
15 comments on sort of job quality is benefits. They
16 do offer benefits to all employees that work more
17 than 20 hours a week. 60 to 70 percent of the
18 employees are projected to be full-time. We've not
19 been able to obtain a breakdown among the part-time
20 employees of who's going to be over 20, who's going
21 to be under 20. They were really unable to share
22 it at this stage of the process.

23 But that would mean that the vast
24 majority of the employees would have benefits.

1 After you put in 800 hours, your deduction per
2 paycheck is \$15 or less for full healthcare.
3 And there's also significant contributions for
4 healthcare savings accounts, average about \$1300
5 a year per employee. So significant emphasis on
6 health and wellness within the benefits package,
7 including 20 percent discount on any store items
8 for employees as well.

9 MS. NEELY: Just going back to that, do we
10 have data on the hiring for the Detroit store?

11 MR. SMITH: In terms of how many jobs they
12 created?

13 MS. NEELY: And how many were part-time
14 versus full-time and if they had an agreement
15 to hire from the community.

16 MR. SMITH: I do believe there was at least
17 a statement of intent to hire from the community.
18 I know that the total jobs created exceeded
19 projections.

20 James, do you have any more?

21 MR. SIMMONS: I believe they anticipated
22 creating about 100 jobs and ended up creating
23 closer to 150 in the Detroit store. They also,
24 just an informal report in the media, something

1 like 65 percent of the employees were hired
2 locally. I'm not sure how they defined local.

3 ALDERMAN TUNNEY: I think what we're asking
4 for is can we have somebody research that, and if
5 there is something documented that we can get that
6 in our hands?

7 MR. SMITH: Sure.

8 MS. NEELY: There's no reason to recreate the
9 wheel if it's something they did in Detroit or
10 they're contemplating doing it in --

11 MS. KOTAK: Yeah. My understanding, I don't
12 think they have a paper agreement. What they do
13 have is a long -- they start about a year out,
14 which is the same thing they're doing in Englewood,
15 which is a year to a year and a half out, in terms
16 of what we would call community relations, but it's
17 really just being on the ground and developing
18 those relationships. So they are mirroring what
19 they're doing off of the success they've had in
20 Detroit.

21 But we're happy to get any
22 information.

23 I mean, Alderman Thompson has been
24 out to the Detroit store, met with that manager, is

1 aware of sort of what they did, talked to community
2 groups to understand sort of the pros and cons or
3 lesson learned really is a better way to say it.

4 So I know she's informed in that way in the ward.

5 But we're happy to do whatever. You
6 know, we're happy to pull any of that information.

7 MR. SMITH: In terms of other community
8 benefits, so support for local and minority-owned
9 businesses. DL3 Realty itself is a minority-owned
10 development firm.

11 And then Whole Foods is -- has
12 partnered already with the City and Greater
13 Englewood CDC to start workshops for small
14 businesses, essentially the goal being to identify
15 potential suppliers for the Whole Foods store and
16 also provide those potential suppliers with
17 information in capacity building about what it
18 takes to become a Whole Foods supplier.

19 Walter Robb, CEO of Whole Foods, has
20 stated a goal to get to 50 local vendors selling
21 products within the store.

22 And there are three workshops
23 currently. One's already happened, and then
24 there's two more happening between now and January

1 2015 as part of that initial outreach to small
2 businesses.

3 MS. KOTAK: And that's through BACP, through
4 the small business center. They're the City agency
5 that's partnering with the Greater Englewood CDC to
6 make sure -- it's essentially a set of supplier
7 forums. But that's one of the biggest parts of
8 this in terms of the multiplier effect. So you've
9 got the healthy food for the neighborhood, you've
10 got the jobs, but then you also have sort of that
11 radius that goes out in terms of making sure that
12 you've got local businesses that are going to meet
13 all the requirements that Whole Foods has. And so
14 they've been a partner at the table to really make
15 sure there's transparency about what they need,
16 what they require, and then actual capacity
17 building to make sure that the businesses can reach
18 that.

19 MR. SMITH: And then finally sustainability.
20 So this is happening before the vertical development
21 project, but it's still noteworthy that a long
22 vacant brownfield site with over \$700,000 worth of
23 environmental cleanup --

24 MS. NEELY: Who's paying for that?

1 MR. SMITH: City.

2 MS. KOTAK: The City.

3 MR. SMITH: And then a green roof will happen
4 on top of the inline retail building. And LEED
5 certification will be obtained for the Whole Foods
6 store building. And then Whole Foods will offer
7 on-site recycling for batteries and e-waste in the
8 store.

9 ALDERMAN TUNNEY: So, Stephanie, you're
10 familiar with this corner. What was on this site
11 that ended up being --

12 MS. NEELY: You know, I don't remember that
13 because it's so different. I remember it was like
14 a whole boulevard of just -- you couldn't drive.
15 So it was like State Street used to be. And there
16 were banks and shops. I don't remember that
17 specific corner because you're asking me to go back
18 40 years.

19 But like I said, Drexel Bank, which
20 was a black-owned bank, they had a very impressive
21 bank building is what I remember. So I don't
22 remember that corner specifically.

23 MS. KOTAK: It used to be a gathering space.
24 And now it's not. I mean, it's not new for this

1 corner. But that is one of the wonderful things
2 that comes around in terms of this redevelopment,
3 which is to reestablish what was for so many people
4 that -- it's that exact reaction, which is, When I
5 was a kid, I went here with my folks, and now from
6 that it's turned into a place that people drive
7 through versus drive to.

8 MS. NEELY: You mean run.

9 ALDERMAN TUNNEY: So I think they were
10 talking about a Whole Foods in -- moving one in my
11 neighborhood. They were talking about an organic
12 farm on the roof. Have they -- I mean, because we
13 just looked at this for the Method.

14 MS. KOTAK: We did. The size is too small.
15 The rooftop is too small. So that's really one of
16 the determining factors for them putting actually
17 the same folks, which is Gotham Greens, in their
18 partnership, considering them or other ones.

19 MS. NEELY: But no marijuana, though, right?

20 MS. KOTAK: No.

21 And so the only things they could
22 sell down -- but they did look at it, and the
23 18,000 square foot footprint is too small.

24 There are, though -- the City owns,

1 as Tony mentioned, the remainder of the site
2 outside of the 5-plus acres. So there is a
3 historic firehouse immediately northwest of this
4 site as well as two potential other vibrant corners
5 that are further west and further north. So there
6 are other opportunities.

7 The consideration was -- initially
8 the plan was to develop all of this at the same
9 time, and what we realized and what many real
10 estate developers told the City was that hold on to
11 it because when the Whole Foods comes out of the
12 ground, the discussion will change of who's coming
13 because they'll then believe that what you've been
14 talking about, that the transformation that
15 you've -- you know, that we've been chatting about
16 actually is real.

17 And so that's what we've done, and
18 we've taken that risk at the City because we think
19 it's a well-informed risk.

20 So there may be other opportunities
21 like a -- whether it's a farm or whatever it might
22 be at those other spots, even though it's not going
23 to be on top of the Whole Foods. But that's been
24 in our mindset.

1 MR. SMITH: I should also touch on the -- to
2 Growing Home, the urban farm provider in Englewood,
3 could be a potential supplier. There's definitely
4 urban farming activity in the radius around it. So
5 we would anticipate maybe even the Gotham Greens on
6 the Method's building being a supplier of this
7 particular store.

8 MS. HOLT: And, Angela, if you've got
9 something you want to add, feel free to do so at
10 any time.

11 MS. HURLOCK: I do, but I'd like to go off
12 record in doing it. I was going to wait until the
13 end of the presentation.

14 MS. HOLT: Okay. Well, let's go -- let's
15 finish the presentation. Then we can do that.

16 MR. SMITH: So in terms of the financial
17 aspect of the transaction, so the proposed CDF
18 allocation is 10-1/2 million. The developer's
19 been working with a number of different potential
20 lenders and New Markets investors and has settled
21 on PNC as the most optimal choice.

22 PNC's offered a very strong package
23 for the deal. So 3 million of their own allocation,
24 which is a national allocation, they would be

1 dedicating it to a Chicago deal.

2 So total between the 3 from PNC and
3 the 10-1/2 from CDF, that yields just over 4
4 million -- about 4.2 of net tax credit equity
5 subsidy for the deal.

6 PNC would also be the New Markets
7 investor and also provide 4-1/2 million of senior
8 debt.

9 Whole Foods itself is actually
10 slated to be a junior lender for the project
11 providing a zero percent interest loan of
12 \$3-1/2 million. Essentially that's a way to
13 increase the size of the tax credit deal.

14 So money that Whole Foods would
15 otherwise use for interior build-out of their store
16 is being instead loaned through this tax credit
17 structure. And Whole Foods is taking on some
18 incremental risks in doing so, because once they
19 make that loan, they cannot get that money back.
20 They basically get -- either they get the build-out
21 or something goes wrong, and those are the two
22 potential outcomes.

23 So they've rolled up their sleeves
24 and partnered with the developer to put the 3-1/2

1 million in in a way that benefits the deal as a
2 whole. It makes the economics slightly better.

3 And then the City invested about
4 10.7 million in TIF for the broader 13-acre site
5 redevelopment, which clearly this 5 acres is also
6 benefiting from a portion of that.

7 So the two resolutions are --

8 MS. NEELY: Before you go there. Just really
9 quickly.

10 Under Uses, it says land of
11 \$170,000. What's that?

12 MR. SMITH: So it's \$1 for the actual
13 acquisition and then 172,500 for -- on the legal
14 and closing costs associated with the land --

15 MS. NEELY: It's not actually land. It's
16 just legal costs?

17 MR. SMITH: Yeah.

18 MS. NEELY: Okay. Gotcha.

19 And is it a 99-year lease kind of
20 thing?

21 MR. SMITH: It's a sale.

22 MS. KOTAK: We're selling is for \$1 with the
23 expectation --

24 MS. NEELY: Gotcha.

1 MS. KOTAK: We're working through that.

2 MS. HOLT: All right. So maybe if you wanted
3 to go off the record, and we can ...

4 (Discussion off the record.)

5 MS. NEELY: So what is the value of the land?

6 MS. KOTAK: It's about 3 million.

7 MS. NEELY: So we got 3 million in land,
8 700 and --

9 MS. KOTAK: And that's the 3 million, again,
10 for that 5-acre site.

11 MS. NEELY: No, it's not the whole, but just
12 the triangle -- or the rectangle?

13 MS. KOTAK: Exactly.

14 MR. SMITH: That's the market value after
15 cleanup and site prep.

16 ALDERMAN TUNNEY: Is that the 10 --

17 MR. SMITH: 5 acres.

18 ALDERMAN TUNNEY: 5 acres.

19 MS. NEELY: And then that 700,000 other
20 remediation that you're not including, right?

21 MR. SMITH: Well, the City is spending more
22 than 3 million to create a development ready
23 parcel. So it's -- you can sort of talk about how
24 to divvy that up. The market value of the land

1 after it's cleaned and development ready is 3, and
2 the City is spending probably more than 3 to make
3 it development ready.

4 MS. KOTAK: So let me back up for a second
5 just to give you a sense of what it was before.

6 So this site was incredibly
7 complicated for a variety of reasons, the least of
8 which, frankly, was the environmental cleanup and
9 just the land preparation so that it was a site
10 that anyone wanted to build anything on.

11 Legally it was incredibly
12 complicated. There were over 150 different PINs
13 for the entire site, which the consolidation of
14 which the vacation of property, the vacation of
15 roads that weren't properly vacated but that you
16 wouldn't ever think was a road, all of that has
17 been part of the preparation.

18 So when we talk about the City
19 investment, the 10.7 for the entire site, so that's
20 the entire 13 acres, involves not only the literal
21 site preparation, but also all of the legal work
22 that's gone into it in terms of cleaning up not
23 only the physical part of it, but also the legal.

24 MS. NEELY: So if I asked how much is the

1 City putting in, how would you answer that?

2 MS. KOTAK: I would answer that for the 13
3 acres, we're putting in \$10.7 million of site prep,
4 defining that both as legal and physical, with a
5 great majority being physical. I'm just pulling
6 back to sort of give you context, which is that it
7 is a site, in advance of us doing anything, no one
8 would have ever -- and no one did for years and
9 years ever touched. We've RFP'd this site several
10 times. And for that reason and a variety of other
11 reasons, no one ever came close to it because it
12 was too hard. So that's 10.7 for the entire thing.
13 So I would just --

14 MS. NEELY: Is there anything else the City's
15 put in?

16 MS. KOTAK: Blood, sweat, and tears. But
17 other than that, in terms of financing, it's really
18 10.7 for the entire site. It's 3 million of a
19 write-down currently that we expect, but, again,
20 we're working through the redevelopment agreement
21 which will have its own sort of callbacks and
22 provisions to it for the 5.

23 There hasn't yet been -- you know,
24 there may end up being future investments because

1 there are other pieces.

2 MS. NEELY: And then the whole TIF investment.

3 MS. HOLT: It is TIF.

4 MS. KOTAK: That is the 10.7. That is the
5 TIF investment.

6 MS. NEELY: Okay.

7 ALDERMAN TUNNEY: So it's the land under-
8 write; it's all included?

9 MS. KOTAK: Yeah. It's the land underwrite,
10 and then it's the 10.7 for the entire 13-acre site.
11 And then in the future, there may -- and there's
12 certain work that they're not doing now -- that we
13 are not doing now related to sewers and utilities
14 that we expect to come when you actually have a
15 user who knows where those things are going to go.

16 So there's certain things that we
17 know will happen at some point, but right now it's
18 just not -- it doesn't make sense for us to do
19 them. It's not the most efficient way to do those
20 now. So there may also still be a set of
21 improvements that we make longer term when we
22 actually have what we hope to have, which is that
23 deluge of folks who want to come and --

24 MS. NEELY: Yeah. We're going to have to get

1 a hiring agreement.

2 MS. KOTAK: So that's the state of affairs.

3 ALDERMAN TUNNEY: So what I hear -- what I
4 see is Whole Foods' what I would call skin in the
5 game, obviously, they're making a huge investment
6 in Chicago in an underserved neighborhood.

7 Is the 3.5 million real dollars that
8 they're putting into the remodeling of the store?
9 Once they get the --

10 MR. SMITH: Yeah. They're sort of renting
11 the 3-1/2 million to improve the interior
12 improvements plus the exterior shell once the
13 developer is constructing with developer funds.
14 So 3-1/2 is sort of their out of pocket to get
15 the store ready. They will also spend money for
16 inventory and training.

17 ALDERMAN TUNNEY: What about --

18 MS. NEELY: What about the PNC senior loan,
19 who's going to service that?

20 MR. SMITH: PNC.

21 ALDERMAN TUNNEY: And what is the --

22 MS. NEELY: No, no, no. The developer --

23 MS. SCOTT: The developer. It's probably the
24 developer.

1 MR. SMITH: I was just going to say --

2 MS. SCOTT: Against the rent. Against rent
3 from Whole Foods.

4 ALDERMAN TUNNEY: Right. And that's my next
5 question. What's the price -- what's the rent per
6 square foot?

7 MR. SMITH: The Whole Foods base rent is \$5
8 a square foot net. And then there's a \$2 a foot
9 percentage rent if the store has -- I think it's
10 over \$250 a square foot is what it would take to
11 max out the \$2 a foot in percentage rent. So
12 almost certainly the \$2 will apply. So \$7 per
13 square foot is our best estimate of the all-in net
14 rent to Whole Foods.

15 MS. NEELY: That's very cheap.

16 ALDERMAN TUNNEY: Well, is it -- in relation
17 to the general area within two miles that --
18 because I don't -- you know, \$7 is still relative
19 to, you know, where things are at.

20 MR. SMITH: You can't build anything new for
21 \$7 a square foot rent.

22 ALDERMAN TUNNEY: No.

23 MR. SMITH: The premise for a typical
24 shopping center developer with a grocery anchor

1 would be -- if it's a very desirable anchor like
2 a Whole Foods that's going to drive traffic and
3 balance to my center, I can look at rents like that
4 as long as I can make back my upside on the inline
5 space and the out lots. In this case, the inline
6 space is projected to only rent at \$14 a square
7 foot or so, which is vastly lower than you would
8 get in other parts of the city.

9 So it's really sort of a two-part
10 economic challenge. You have to sort of subsidize
11 the anchor's rent to get traffic in the center, and
12 then you're still not making a tremendous amount
13 from the smaller store space.

14 ALDERMAN TUNNEY: Okay. Let me ask one more.
15 What's the term of the lease?

16 MR. SMITH: It is a 10-year base term with a
17 10-year extension.

18 ALDERMAN TUNNEY: Zoned 20? Because like the
19 one on Halsted, I think it's a 75-year deal.

20 MR. SMITH: I apologize. I don't know that
21 off the top of my head.

22 ALDERMAN TUNNEY: I'm wondering because if
23 they do do it, if they do do it well, they --

24 MS. NEELY: Long-term commitment.

1 ALDERMAN TUNNEY: -- they've got -- well,
2 yeah. And they've got a long-term hold on their
3 rent if they get on top of it.

4 MS. NEELY: Right. Can you get back to us on
5 that?

6 MR. SMITH: Yeah, definitely.

7 MS. SCOTT: The developer might not want it.

8 MS. KOTAK: I think that was the deal the
9 developer --

10 MS. SCOTT: Yeah. They don't want the risk.

11 MS. HOLT: All right. Anybody have any other
12 questions?

13 (No response.)

14 So we're going to need two resolutions.
15 I think we'll move the first one, the resolution to
16 approve the project.

17 MS. NEELY: Motion.

18 MS. SCOTT: Second.

19 MS. HOLT: All those in favor.

20 (Chorus of ayes.)

21 All those opposed.

22 (No response.)

23 All right. The motion passes.

24 And the second resolution is to

1 authorize prefunding of the project. And does
2 anybody have any specific questions about this?
3 I know Tony didn't touch on it particularly.

4 Do you want to give a couple of
5 backgrounds on that, please?

6 MR. SMITH: Sure.

7 So this would be the secondary
8 authorization to -- prior to January 30th, the QUI
9 deadline that Treasury imposes to have the ability
10 to prefund the transaction with PNC, we think
11 that's a very likely scenario since the Whole Foods
12 and the balance of the transaction wouldn't be
13 ready to receive loan proceeds probably until
14 April, May based on the site work completion date.
15 So it would be, we think, very strategic for CDF
16 to prefund this transaction in late January in
17 anticipation of funding the loan a couple months
18 thereafter.

19 MS. HOLT: All right.

20 MS. SCOTT: Motion.

21 MS. NEELY: Second.

22 MS. HOLT: All those in favor.

23 (Chorus of ayes.)

24 All those opposed.

1 (No response.)

2 All right. The motion passes.

3 I think that was all the regular
4 business. Does anybody have anything else?

5 MS. NEELY: I just want to say this is my
6 last meeting and to thank everyone for their hard
7 work and continue to take care of the city that I
8 love and continue to make it as great as it could
9 possibly be. And it's been a true pleasure for the
10 last eight years. Thanks for having me.

11 MS. HOLT: Okay. So I think we can adjourn
12 the meeting. We need a motion, however, to adjourn
13 the meeting. One more time.

14 MS. NEELY: Motion.

15 MS. HOLT: Second anybody?

16 MS. SCOTT: Second.

17 MS. HOLT: Ayes.

18 (Chorus of ayes.)

19 Nays.

20 (No response.)

21 All right.

22 (Which were all the proceedings
23 had this day.)

24

1 STATE OF ILLINOIS)
) SS:
2 COUNTY OF C O O K)

3

4 I, Nick D. Bowen, do hereby certify that
5 I reported in shorthand the proceedings of said
6 hearing as appears from my stenographic notes so
7 taken and transcribed under my direction.

8 IN WITNESS WHEREOF, I have hereunto set my
9 hand and affixed my seal of office at Chicago,
10 Illinois, this day day of December 2014.

11

12

13 Illinois CSR No. 084-001661
Notary Public, Cook County, Illinois
14 My commission expires June 13, 2017

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